

Property Tax Incentives for HB 3 "Jobs & Energy Development Incentives"

Rep. Llew Jones

Category	Qualifications	Current Rate	New Permanent Rate	Abate-ment Rate	Abate-ment Period
Plants for production of liquid fuels, synthetic gas and electricity	Facilities & Equipment of : <ul style="list-style-type: none"> Plants for ethanol (including cellulosic), biodiesel, biomass gasification & <ul style="list-style-type: none"> Coal Gasification with carbon sequestration Coal-to-Liquid (CTL) with carbon sequestration IGCC, NGCC & geothermal (as "power plants" these would be 6% under current law, will be at a permanent 3% under this law; * an abatement to 1-1/2% for 10-14 years will apply only to the IGCC with carbon sequestration of at least 65% with 7 year window for permit application.) 	3%	3%	1 1/2%	10-14 Years**
Renewable Energy Manufacturing	Manufacturing Plant & Equipment for manufacturing related to: <ul style="list-style-type: none"> Wind, solar, geothermal power or clean bio-mass Electrical or hybrid/electrical automobiles/trucks and Fuel Cells 	3%	3%	*	10-14 Years**
Research & Development	Equipment only – solar power, wind power, geothermal, clean biomass, fuel cells, electrical or hybrid/electrical automobiles/trucks, clean/advanced coal	3%	3%	1 1/2%	10 Years
Transmission Lines for eligible power	Power lines for carrying power from wind, clean biomass, geothermal, NGCC or IGCC power with carbon sequestration: <ul style="list-style-type: none"> Electrical tie lines from power generation site to main transmission lines Alternating Current (AC) Transmission Lines High Voltage Direct Current (HVDC) lines 	12%	3%	1 1/2%	10-14 Years**
Pipelines - CO ₂ Capture & Seq. - Equip.	Pipelines and equipment for carrying CO ₂ from a plant to a sequestration or Enhanced Oil Recovery site (as well as the sequestration equipment)	12%	3%		
Liquid Pipelines	CO ₂ capture equipment to retrofit an existing pulverized coal power plant	6%	3%		
Land Under Transmission Lines.	Dedicated pipelines for ethanol, biodiesel & liquid fuel from clean coal technology with carbon sequestration where appropriate	12%	3%		
	Agricultural land under transmission lines – 660' each side of center	3.07%	Exempt		

SENATE Joint
 Exhibit No. TVAS
 Date 5-10-07
 Bill No. HB-3

Must be a clean product with new investment, prevailing wage in construction, carbon sequestration when needed
 ** Abatement period of first 10 years of operation plus construction period of up to 4 years

Special Session HB 3 – Representative Llew Jones

Tax Incentives for Renewable Energy, New Technology Energy & Clean Coal Energy

- By developing our energy resources and providing incentives so that future development utilizes new technologies and produces clean, HB 3 will allow Montana to play an important role on three levels:
 - Internationally – help address the challenges of global climate change
 - Nationally – help the nation achieve energy independence, especially related to liquid fuels
 - In Montana – help create economic growth and jobs in the areas of the state which have seen economic dislocation for decades
- The property tax incentives in the Bill are targeted completely toward new clean energy production and its movement to market, as well as the capturing and sequestering of CO₂.
- Tax incentives support the development of new & clean:
 - Transmission lines
 - CO₂ sequestration pipelines
 - Clean fuel liquid pipelines
 - Clean power plants
 - Clean liquid fuel plants from coal
 - Clean coal gasification plants
 - Ethanol & Biodiesel fuel
 - Clean biomass & biogas energy
 - Geothermal power
 - Solar power
 - Wind power(help via transmission line tax incentives)
- All parts of the bill are needed -- a fully integrated approach to new & clean energy development is essential:
 - No investment in generation plants can occur without transmission lines and pipelines to move product.
 - No investment in transmission lines or pipelines can occur unless the energy is there from the generating plants.
 - No investment in carbon sequestration can occur unless carbon is produced and captured by the plants and the pipelines are there to move it.

- Manufacturing plants and research & development equipment has an incentive if they are related to renewable energy or clean coal technology:
 - Wind, solar, geothermal, biomass, biogas power related manufacturing
 - Clean coal power related manufacturing
 - Hybrid/electrical vehicle manufacturing
 - Fuel cell manufacturing
- All existing tax base is protected by the Bill. All tax break incentives are prospective or forwarding looking:
 - Permanent property tax rate reductions:
 - Transmission line breaks go down from 12% to 3% and are permanent
 - Clean liquid and carbon sequestration pipelines go down from 12% to 3% and are permanent
 - IGCC, NGCC and geo-thermal power plants go down from 6% to 3% and are permanent
 - Carbon capture equipment on older power plants go down from 6% to 3% and are permanent
 - Property tax rate abatements (non-permanent incentives) that may be added to the above permanent incentives:
 - New clean transmission lines go from 3% to 1½% for 10 to 14 years
 - Targeted manufacturing plants go from 3% to 1½% for 10 to 14 years
 - Research and development equipment goes from 3% to 1½% for 10 years
 - Coal gasification and coal-to-liquid plants go from 3% to 1½% for 10 to 14 years
 - IGCC and geo-thermal power plants go from 3% to 1½% for 10 to 14 years
 - Ethanol and Biodiesel plants go from 3% to 1½% for 10 to 14 years
 - Biomass and biogas plants go from 3% to 1½% for 10 to 14 years
 - Property tax exemptions:
 - Agricultural land under new transmission lines
- Provides that all energy projects will be certified by the Department of Environmental Quality (DEQ). Upon certification the DEQ will notify the Department of Revenue that the energy project has been certified and can qualify for the property tax incentive.

General Outline of HB 3 -- Rep. Llew Jones

- Section 1 (New) (Page 1) – Short Title
- Section 2 (New) (Page 1-2) – Policy Statement
- Section 3 (New) (Page 2-4) – Definitions
- Section 4 (New) (Page 4-6) – Abatement eligibility
- Section 5 (New) (Page 6-7) – Certification
- Section 6 (New) (Page 7) – Rules
- Section 7 (New) (Page 7-8) – Class Fifteen Property
- Section 8 (New) (Page 8-9) – Exemption of land adjacent to transmission line right-of-way
- Section 9 (Amend) (Page 9-10) – Class Nine Property Amendment
- Section 10 (Amend) (Page 10-12) – Class Fourteen Property Amendment
- Section 11 (New) (Page 13) – Notification of Tribal Governments
- Section 12 (New) (Page 13) – Codification Instructions
- Section 13 (New) (Page 13) – Severability
- Section 14 (New) (Page 13) – Effective Date

Detailed Outline of HB 3 -- Rep. Llew Jones

Section 1 (New) (Page 1) – Short Title: **Jobs & Energy Development Incentives (JEDI) Act**

Section 2 (New) (Page 1-2) – Policy Statement: Sets general policies re: how the law is to be administered and interpreted. Focus on new investments that qualify.

Section 3 (New) (Page 2-4) – Definitions: long list of definitions that apply to Sections 1-6 (the new sections)

Section 4 (New) (Page 4-6) – Abatement eligibility: Establishes an abatement level of 50% of taxable value for qualifying period (generally 10-14 years, including construction); to be eligible, must be “new” and built with prevailing wage rate; abatement applies to all mills; requires carbon sequestration at no less than 65% level from gasification process; establishes a 7 year window for IGCC to qualify for abatement; rates go back to normal after abatement period; research & development equipment eligibility has a cap of \$1 million in new equipment at a facility per year (SEE ABATEMENT COLUMN ON CHART)

Section 5 (New) (Page 6-7) – Certification: DEQ determines if applicant qualifies for a classification or an abatement and reports same to DOR; requirement that applicant be in “good standing” on a number of items in order to apply; certification revocation procedures and establishment of applicants rights to appeal; on revocation, forfeiture of remaining abatement and inability to reapply

Section 6 (New) (Page 7) – Rules: DOR and DEQ rule-making established for the portion each covers.

Section 7 (New) (Page 7-8) – Class Fifteen Property: Establishes a new class at 3% for CO2 and clean energy liquid pipelines, carbon sequestration equipment, equipment used in closed-loop enhanced oil recovery operations, and “connector pipelines” to main pipelines; establishes that prevailing wage rate must be used during construction for rate to apply

Section 8 (New) (Page 8-9) – Exemption of land adjacent to transmission line right-of-way: Allows exemption of value of (primarily agricultural) land 660’ from centerline of new clean transmission lines on application by landowner.

Section 9 (Amend) (Page 9-10) – Class Nine Property Amendment: Though these new clean transmission and pipelines that cross county lines are to be centrally assessed, this section exempts those classified in Class 14 and Class 15 (3% rate) from Class 9 “centrally assessed”, which is 12%. This exemption allows the lower rate to be used in the central assessment for those selected transmission and pipelines and equipment.

Section 10 (Amend) (Page 10-12) – Class Fourteen Property Amendment: Amends existing Class 14 property (3%) to apply to a long list of new & clean plants, equipment and transmission lines (tie lines, alternating current lines and high voltage direct current lines); establishes procedures for eligibility for transmission lines, provides for 10 year review on transmission lines and provides for revocation for fraudulent applications.

Section 11 (New) (Page 13) – Notification of Tribal Governments: Has secretary of State notify Tribal Governments to insure proper “government to government” processes.

Section 12 (New) (Page 13) – Codification Instructions

Section 13 (New) (Page 13) – Severability

Section 14 (New) (Page 13) – Effective Date

1 _____ BILL NO. _____

2 INTRODUCED BY _____
3 (Primary Sponsor)

4 A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING PROPERTY TAX INCENTIVES FOR NEW
5 INVESTMENT IN THE CONVERSION, TRANSPORT, MANUFACTURING RELATED TO, AND RESEARCH
6 AND DEVELOPMENT OF RENEWABLE ENERGY, NEW TECHNOLOGY ENERGY, AND CLEAN COAL
7 ENERGY AND CARBON DIOXIDE EQUIPMENT AND FACILITIES; PROVIDING PROPERTY TAX
8 ABATEMENTS FOR CERTAIN RENEWABLE ENERGY, NEW TECHNOLOGY ENERGY, AND CLEAN COAL
9 ENERGY-RELATED PROPERTY; ALLOWING A PROPERTY TAX EXEMPTION, UNDER CERTAIN
10 CONDITIONS, FOR LAND ADJACENT TO TRANSMISSION LINES; CREATING A NEW CLASS OF
11 PROPERTY TAXES FOR CERTAIN PIPELINES AND CARBON DIOXIDE EQUIPMENT AND FACILITIES;
12 REVISING CLASS FOURTEEN PROPERTY TO INCLUDE TAXATION OF CERTAIN RENEWABLE ENERGY,
13 NEW TECHNOLOGY ENERGY, CLEAN COAL ENERGY FACILITIES, CARBON CAPTURE EQUIPMENT, AND
14 TRANSMISSION LINES; AMENDING SECTIONS 15-6-141 AND 15-6-157, MCA; AND PROVIDING AN
15 IMMEDIATE EFFECTIVE DATE."

16

17 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

18

19 NEW SECTION. **Section 1. Short title.** [This act] may be cited as the "Jobs and Energy Development
20 Incentives Act".

21

22 NEW SECTION. **Section 2. Policy.** It is the policy of the state of Montana that the tax classifications,
23 rates, abatements, and exemptions in [sections 2 through 8] and amendments made by [this act in 15-6-141 and
24 15-6-157] are to be strictly limited to new investments that qualify under the standards established in [sections
25 2 through 8] and amendments made by [this act in 15-6-141 and 15-6-157]. The provisions of [sections 2 through
26 8] and amendments made by [this act in 15-6-141 and 15-6-157] do not apply to any previously existing
27 properties or to any new investments or property that does not qualify under [sections 2 through 8] and
28 amendments made by [this act in 15-6-141 and 15-6-157]. It is also the policy of the state of Montana that the
29 classifications, rates, abatements, and exemptions in [sections 2 through 8] and amendments made by [this act
30 in 15-6-141 and 15-6-157] are to encourage investment in energy development that is consistent with maintaining

1 a clean and healthful environment and that may not otherwise occur without [sections 2 through 8] and
2 amendments made by [this act in 15-6-141 and 15-6-157]. [Sections 2 through 8] and amendments made by [this
3 act in 15-6-141 and 15-6-157] are not to be interpreted as a precedent for reducing the taxation of any other
4 property in the state or for affecting the use of any property valuation method for tax purposes established under
5 law to meet the standards of the Montana constitution and law. The department of environmental quality and the
6 department of revenue are directed to administer and interpret [sections 2 through 8] and amendments made by
7 [this act in 15-6-141 and 15-6-157] strictly in accordance with this policy. Any ambiguities in [sections 2 through
8 8] and amendments made by [this act in 15-6-141 and 15-6-157] are to be resolved in favor of the strict reading
9 of this policy.

10

11 **NEW SECTION. Section 3. Definitions.** As used in [sections 1 through 6], unless the context requires
12 otherwise, the following definitions apply:

13 (1) "Biodiesel" has the meaning provided in 15-70-301.

14 (2) "Biodiesel production facility" means improvements and personal property used for the production
15 and onsite storage of biodiesel.

16 (3) "Biogas" means methane gas produced through controlled biochemical processes in which bacteria
17 digest animal, municipal, or other organic wastes in an oxygen-free environment. The term includes naturally
18 occurring methane gas formed underground in landfills.

19 (4) "Biogas production facility" means improvements and personal property used for the production of
20 biogas and the generation of electricity at the facility.

21 (5) "Biomass" means any renewable organic matter, including dedicated energy crops and trees,
22 agricultural food and feed crops, agricultural crop wastes and residues, wood wastes and residues, aquatic
23 plants, animal wastes, municipal wastes, and other organic waste materials.

24 (6) "Biomass gasification" means a technology that uses a thermochemical process to convert biomass
25 into a low-Btu or medium-Btu gas for the purpose of producing electricity, methane gas, transportation fuels, or
26 chemicals. The technology includes the pretreatment of biomass feedstock involving drying, pulverizing, and
27 screening.

28 (7) "Biomass gasification facility" means improvements and personal property used for the production
29 of fuel or chemicals and the generation of electricity from biomass at the facility.

30 (8) "Carbon sequestration" means the long-term storage of carbon dioxide from a plant or facility that

1 produces or captures carbon dioxide, as defined in [section 7], in geologic formations, including but not limited
2 to deep saline formations, basalt or oil shale formations, depleted oil and gas reservoirs, unmineable coal beds,
3 and closed-loop enhanced oil recovery operations.

4 (9) "Clean advanced coal research and development equipment" means equipment used primarily for
5 research and development of emerging methods for pollution control, carbon capture, and carbon sequestration.
6 The term includes equipment used for research and development of effective and efficient removal of various
7 pollutants and the capture, storage, transportation, compression, and injection of carbon dioxide from coal
8 combustion utility and industrial facilities and advanced coal conversion facilities.

9 (10) "Coal gasification" means a process that converts coal into a synthesis gas composed of carbon
10 monoxide, hydrogen, and other gases. The coal gasification process includes the reaction of coal feedstock,
11 prepared in either a dry or slurried form, with steam and oxygen at high temperature and pressure in a reducing
12 atmosphere. The synthesis gas is then used to produce electricity, liquid fuels, methane gas, or chemicals.

13 (11) "Coal gasification facility" means improvements and personal property used for coal gasification that
14 is used for the production of fuel or chemicals or the generation of electricity, or any combination of those things,
15 at the facility. The term includes a coal-to-liquid facility or an integrated gasification combined cycle facility.

16 (12) "Coal-to-liquid facility" means improvements and personal property used for the production of
17 synthetic liquid fuels from coal. The term includes a facility that uses the Fischer-Tropsch process, or other
18 processes, to convert synthesis gas produced by coal gasification into liquid fuel.

19 (13) "Commencement of construction" means initiation of onsite fabrication, erection, or installation of,
20 but not limited to, the following:

21 (a) building supports or foundations;

22 (b) laying of underground pipework; or

23 (c) construction of storage structures.

24 (14) "Ethanol" means nominally anhydrous ethyl alcohol that has been denatured as specified in 27 CFR,
25 parts 20 and 21, and that meets the standards for ethanol adopted pursuant to 82-15-103.

26 (15) "Ethanol production facility" means improvements and personal property used for the production and
27 onsite storage of ethanol, including cellulosic ethanol.

28 (16) "Geothermal facility" means improvements and personal property used for the production of
29 electricity from geothermal sources.

30 (17) "Integrated gasification combined cycle facility" means improvements and personal property of an

1 electrical generation facility that uses a coal gasification process and routes synthesis gas to a combustion turbine
2 to generate electricity and captures the heat from the combustion to drive a steam turbine to produce more
3 electricity. The facility may also use incidental amounts of natural gas or other fuels in the combustion turbine.

4 (18) "Renewable energy" includes the following:

5 (a) solar energy;

6 (b) wind energy;

7 (c) geothermal energy;

8 (d) energy from the conversion of biomass;

9 (e) energy from biogas;

10 (f) energy from fuel cells that do not require a petroleum-based fuel;

11 (g) energy from waste heat; and

12 (h) ethanol, including cellulosic ethanol.

13 (19) (a) "Renewable energy manufacturing facility" means improvements and personal property used by
14 a facility with its principal business being the manufacturing of material, component parts, systems, or similar
15 equipment for use in facilities that convert renewable energy into forms of energy useful to people, including
16 electricity. The term includes facilities for manufacturing of electric motor vehicles or hybrid electric motor
17 vehicles.

18 (b) For purposes of subsection (19)(a), "principal business" means a renewable energy manufacturing
19 facility with at least 50%, by value, of its annual production suitable for sale as renewable energy material,
20 component parts, systems, or similar equipment.

21 (20) "Renewable energy research and development equipment" means equipment used primarily for
22 research and development of the efficient use of renewable energy sources. The term includes equipment used
23 for research and development of electric motor vehicles or hybrid electric motor vehicles.

24
25 **NEW SECTION. Section 4. Energy production or development -- tax abatement -- eligibility. (1)**

26 A facility listed in subsection (3), clean advanced coal research and development equipment, and renewable
27 energy research and development equipment may qualify for an abatement of property tax liability pursuant to
28 [sections 2 through 6].

29 (2) (a) If the abatement is granted for a facility listed in subsection (3), the qualifying facility must be
30 assessed at 50% of its taxable value for the qualifying period.

(b) If the abatement is granted for clean advanced coal research and development equipment or renewable energy research and development equipment, the qualifying equipment, up to the first \$1 million of the value of equipment at a facility, must be assessed at 50% of its taxable value for the qualifying period. There is no abatement for any portion of the value of equipment at a facility in excess of \$1 million.

(c) The abatement applies to all mills levied against the qualifying facility or equipment.

(3) Subject to subsections (4) and (5), the following facilities or property may qualify for the abatement allowed under [sections 2 through 6]:

(a) biodiesel production facilities;

(b) biogas production facilities;

(c) biomass gasification facilities;

(d) coal gasification facilities that sequester carbon dioxide from the coal gasification process;

(e) ethanol production facilities;

(f) geothermal facilities;

(g) renewable energy manufacturing facilities;

(h) clean advanced coal research and development equipment and renewable energy research and development equipment;

(i) a natural gas combined cycle facility that offsets a portion of the carbon dioxide produced through carbon credit offsets;

(j) transmission lines and associated equipment and structures classified in 15-6-157; and

(k) carbon sequestration equipment as defined in [section 7].

(4) (a) In order to qualify for the abatement under [sections 2 through 6], a facility listed in subsection (3) must meet the following requirements:

(i) commencement of construction of the facility must occur after June 1, 2007; and

(ii) the standard prevailing rate of wages for heavy construction, as provided in 18-2-401(13)(a), must be paid during the construction phase of the facility.

(b) In order to qualify for the abatement under [sections 2 through 6], clean advanced coal research and development equipment and renewable energy research and development equipment must be placed into service after June 30, 2007.

(c) To qualify under subsection (3)(d), the facility shall sequester at least the percentage of the carbon dioxide produced from the gasification process that is practically obtainable but may not be less than 65%.

(d) Integrated gasification combined cycle facilities for which a permit under Title 75, chapter 2, is applied for after December 31, 2014, do not qualify under subsection (3)(d).

(e) To qualify under subsection (3)(i), the facility shall offset carbon dioxide emissions by the percentage determined in [section 6].

(5) To qualify for an abatement, the facility or clean advanced coal research and development equipment and renewable energy research and development equipment must be certified as provided in [section 5].

(6) Upon termination of the qualifying period, the abatement ceases and the property for which the abatement had been granted must be assessed at 100% of its taxable value.

(7) For the purposes of this section, "qualifying period" means the construction period and the first 10 years after the facility commences operation or the clean advanced coal research and development equipment or renewable energy research and development equipment is purchased. The total time of the qualifying period may not exceed 14 years.

NEW SECTION. Section 5. Certification. (1) (a) Upon application by a taxpayer, the department of environmental quality shall determine whether a facility or equipment qualifies for a tax abatement under [section 4] or rules adopted under [section 6]. If the department determines that a facility or equipment qualifies for abatement or a classification, it shall issue a certification of eligibility.

(b) An application for certification must be made on forms available from the department.

(c) Certification may not be granted unless the applicant is in substantial compliance with all applicable statutes, rules, orders, and permit conditions. Certification remains in effect only as long as substantial compliance with [sections 2 through 6] continues.

(2) The department of environmental quality shall identify and track compliance with [sections 2 through 6] in the use of certified property. The department may revoke a certification for failure to maintain substantial compliance with eligibility requirements in [section 4] or with rules adopted pursuant to [section 6]. Revocation of a certificate must be reported to the department of revenue within 30 days of revocation.

(3) If a taxpayer's certification is revoked, the taxpayer forfeits the abatement or classification under 15-6-157 or [section 7]. Upon revocation, the property must be assessed at 100% of its taxable value beginning on January 1 of the year or years for which the certification is revoked. Any remaining abatement must be forfeited. The taxpayer is immediately liable for any additional taxes, penalty, and interest resulting from the revocation.

(4) A taxpayer that has forfeited any portion of its abatement because of revocation may not reapply for an abatement under [sections 2 through 6].

(5) A taxpayer aggrieved by a determination made by the department of environmental quality or the department of revenue has the right to the review procedures in 15-1-211 or to a hearing under Title 2, chapter 4, part 6.

NEW SECTION. Section 6. Rules. (1) The department of revenue shall adopt rules for the implementation of [sections 2 through 6], including the valuation of qualifying property and administration of property certified under [section 5] or classified under 15-6-157 or [section 7].

(2) The department of environmental quality shall adopt rules necessary for certification, compliance, and revocation of certificates, as provided in [section 5], and for classification as class fourteen property, as provided in 15-6-157, or class fifteen property, as provided in [section 7]. The rules may include specifying procedures, including timeframes for certification application, and definitions necessary to identify property for certification and compliance. The percentage of the carbon dioxide produced by a facility that is to be sequestered or offset must be based on technology that is practically obtainable as determined by the department.

NEW SECTION. Section 7. Class fifteen property -- description -- taxable percentage. (1) Class fifteen property includes:

(a) carbon dioxide pipelines certified by the department of environmental quality under [section 5] for the transportation of carbon dioxide for the purposes of sequestration or for use in closed-loop enhanced oil recovery operations;

(b) qualified liquid pipelines certified by the department of environmental quality under [section 5];

(c) carbon sequestration equipment;

(d) equipment used in closed-loop enhanced oil recovery operations; and

(e) all property of pipelines, including pumping and compression equipment, carrying products other than carbon dioxide, that originate at facilities specified in 15-6-157(1), with at least 90% of the product carried by the pipeline originating at facilities specified in 15-6-157(1) and terminating at an existing pipeline or facility.

(2) For the purposes of this section, the following definitions apply:

(a) "Carbon dioxide pipeline" means a pipeline that transports carbon dioxide from a plant or facility that produces or captures carbon dioxide to a carbon sequestration point, including a closed-loop enhanced oil

1 recovery operation.

2 (b) "Carbon sequestration" means the long-term storage of carbon dioxide from a carbon dioxide pipeline
3 in geologic formations, including but not limited to deep saline formations, basalt or oil shale formations, depleted
4 oil and gas reservoirs, unmineable coal beds, and closed-loop enhanced oil recovery operations.

5 (c) "Carbon sequestration equipment" means the equipment used for carbon sequestration, including
6 equipment used to inject carbon dioxide at the carbon sequestration point and equipment used to retain carbon
7 dioxide in the sequestration location.

8 (d) "Carbon sequestration point" means the location where the carbon dioxide is to be confined for
9 sequestration.

10 (e) "Closed-loop enhanced oil recovery operation" means all oil production equipment, as described in
11 15-6-138(1)(c), owned by an entity that owns or operates an operation that, after construction, installation, and
12 testing has been completed and the full enhanced oil recovery process has been commenced, injects carbon
13 dioxide to increase the amount of crude oil that can be recovered from a well and retains as much of the injected
14 carbon dioxide as practicable, but not less than 85% of the carbon dioxide injected each year absent catastrophic
15 or unforeseen occurrences.

16 (f) "Liquid pipeline" means a pipeline that is dedicated to using 90% of its pipeline capacity for
17 transporting fuel or methane gas from a coal gasification facility, biodiesel production facility, biogas production
18 facility, or ethanol production facility.

19 (g) "Plant or facility that produces or captures carbon dioxide" means a facility that produces a flow of
20 carbon dioxide that can be sequestered or used in a closed-loop enhanced oil recovery operation. This does not
21 include wells from which the primary product is carbon dioxide.

22 (3) Class fifteen property does not include a carbon dioxide pipeline, liquid pipeline, or closed-loop
23 enhanced oil recovery operation for which, during construction, the standard prevailing wages for heavy
24 construction, as provided in 18-2-401(13)(a), were not paid during the construction phase.

25 (4) Class fifteen property is taxed at 3% of its market value.

26

27 **NEW SECTION. Section 8. Exemption for land adjacent to transmission line right-of-way**
28 **easement -- application -- limitations.** (1) Subject to the conditions of this section, for tax years beginning after
29 December 31, 2007, there is allowed an exemption from property taxes for land that is within 660 feet on either
30 side of the midpoint of a transmission line right-of-way or easement.

(2) (a) An owner or operator of a transmission line shall apply to the department for an exemption under this section on a form provided by the department. The application must include a legal description and a digitized certificate of survey prepared by a surveyor registered with the board of professional engineers and professional land surveyors provided for in 2-15-1763 of the property in the county for which the exemption is sought and other information required by the department. A separate application must be made for each county in which an exemption is sought.

(b) An application for an exemption that would be in effect for the tax year and subsequent tax years must be filed with the department by March 1 in the tax year that the exemption is sought.

(3) (a) The owner or operator of a transmission line shall inform the department of any change in ownership of the land or other circumstances that may affect the eligibility of the land for the exemption. The department shall determine whether any changes have occurred that affect the eligibility of the land for the exemption.

(b) The exemption allowed under this section does not apply to:

(i) the boundaries of an incorporated or unincorporated city or town;

(ii) a platted and filed subdivision;

(iii) tracts of land used for residential, commercial, or industrial purposes; or

(iv) the 1 acre of land beneath improvements on land described in 15-6-133(1)(c) and 15-7-206(2).

(4) For the purposes of this section, "transmission line" means an electric line with a design capacity of 30 megavoltamperes or greater that is constructed after January 1, 2007.

Section 9. Section 15-6-141, MCA, is amended to read:

"15-6-141. Class nine property -- description -- taxable percentage. (1) Class nine property includes:

(a) centrally assessed allocations of an electric power company or centrally assessed allocations of an electric power company that owns or operates transmission or distribution facilities or both, including, if congress passes legislation that allows the state to tax property owned by an agency created by congress to transmit or distribute electrical energy, allocations of properties constructed, owned, or operated by a public agency created by congress to transmit or distribute electrical energy produced at privately owned generating facilities, not including rural electric cooperatives. However, rural electric cooperatives' property, except wind generation facilities classified under 15-6-157, used for the sole purpose of serving customers representing less than 95% of the electric consumers located within the incorporated limits of a city or town of more than 3,500 persons in

1 which a centrally assessed electric power company also owns property or serving an incorporated municipality
2 with a population that is greater than 3,500 persons formerly served by a public utility that after January 1, 1998,
3 received service from the facilities of an electric cooperative is included. For purposes of this subsection (1)(a),
4 "property used for the sole purpose" does not include a headquarters, office, shop, or other similar facility.

5 (b) allocations for centrally assessed natural gas companies having a major distribution system in this
6 state; and

7 (c) centrally assessed companies' allocations except:

8 (i) electrical generation facilities classified under 15-6-156 ~~and wind generation facilities;~~

9 (ii) all property classified under 15-6-157;

10 (iii) all property classified under [section 7];

11 ~~(iv)~~(iv) property owned by cooperative rural electric and cooperative rural telephone associations and
12 classified under 15-6-135;

13 ~~(v)~~(v) property owned by organizations providing telephone communications to rural areas and classified
14 under 15-6-135;

15 ~~(vi)~~(vi) railroad transportation property included in 15-6-145;

16 ~~(vii)~~(vii) airline transportation property included in 15-6-145; and

17 ~~(viii)~~(viii) telecommunications property included in 15-6-156.

18 (2) Class nine property is taxed at 12% of market value."

19
20 **Section 10.** Section 15-6-157, MCA, is amended to read:

21 **"15-6-157. Class fourteen property -- description -- taxable percentage.** (1) Class fourteen property
22 includes:

23 (a) wind generation facilities of a centrally assessed electric power company;

24 (b) wind generation facilities owned or operated by an exempt wholesale generator or an entity certified
25 as an exempt wholesale generator pursuant to section 32 of the Public Utility Holding Company Act of 1935, 15
26 U.S.C. 79z-5a;

27 (c) noncentrally assessed wind generation facilities owned or operated by any electrical energy producer;

28 (d) wind generation facilities owned or operated by cooperative rural electric associations described
29 under 15-6-137;

30 (e) all property of a biodiesel production facility, as defined in [section 3], that has commenced

1 construction after June 1, 2007;

2 (f) all property of a biogas production facility, as defined in [section 3], that has commenced construction
3 after June 1, 2007;

4 (g) all property of a biomass gasification facility, as defined in [section 3];

5 (h) all property of a coal gasification facility, as defined in [section 3], except for property in subsection
6 (1)(k) of this section, that sequesters carbon dioxide;

7 (i) all property of an ethanol production facility, as defined in [section 3], that has commenced
8 construction after June 1, 2007;

9 (j) all property of a geothermal facility, as defined in [section 3];

10 (k) all property of an integrated gasification combined cycle facility, as defined in [section 3], that
11 sequesters carbon dioxide, as required by [section 4(4)(c)];

12 (l) all property or a portion of the property of a renewable energy manufacturing facility, as defined in
13 [section 3], that has commenced construction after June 1, 2007;

14 (m) all property of a natural gas combined cycle facility;

15 (n) equipment that is used to capture and to prepare for transport carbon dioxide that will be sequestered
16 or injected for the purpose of enhancing the recovery of oil and gas, other than that equipment at coal combustion
17 plants of the types that are generally in commercial use as of December 31, 2007, that commence construction
18 after December 31, 2007;

19 (o) high-voltage direct-current transmission lines and associated equipment and structures, including
20 converter stations and interconnections that:

21 (i) originate in Montana with a converter station located in Montana east of the continental divide that is
22 constructed after July 1, 2007;

23 (ii) are certified under the Montana Major Facility Siting Act; and

24 (iii) provide access to energy markets for Montana electrical generation facilities listed in this section that
25 commenced construction after June 1, 2007;

26 (p) all property of electric transmission lines, including substations, that originate at facilities specified
27 in this subsection (1), with at least 90% of electricity carried by the line originating at facilities specified in this
28 subsection (1) and terminating at an existing transmission line or substation that has commenced construction
29 after June 1, 2007;

30 (q) the qualified portion of an alternating current transmission line and its associated equipment and

1 structures, including interconnections, that has commenced construction after June 1, 2007.

2 (2) (a) The qualified portion of an alternating current transmission line in subsection (1)(q) is that
3 percentage, as determined by the department of environmental quality, of rated transmission capacity of the line
4 contracted for on a firm basis by buyers or sellers of electricity generated by facilities specified in subsection (1)
5 that are located in Montana.

6 (b) The department of revenue shall classify the total value of an alternating current transmission line in
7 accordance with the determination made by the department of environmental quality pursuant to subsection
8 (2)(a).

9 (c) The owner of property described under this subsection (2) shall disclose the location of the generation
10 facilities specified in subsection (1) and information sufficient to demonstrate that there is a firm contract for
11 transmission capacity available throughout the year. For purposes of the initial qualification, the owner is not
12 required to disclose financial terms and conditions of contracts beyond that needed for classification.

13 (2)(3) Class fourteen property does not include wind-generation facilities:

14 (a) at which the standard prevailing rate of wages for heavy construction, as provided in 18-2-401(13)(a),
15 was not paid during the construction phase; or

16 (b) that are exempt under 15-6-225.

17 (3)(4) For the purposes of this section, "wind generation facilities" means any combination of a physically
18 connected wind turbine or turbines, associated prime movers, and other associated property, including
19 appurtenant land and improvements and personal property, that are normally operated together to produce
20 electric power from wind.

21 (5) (a) The department of environmental quality shall determine whether to certify that a transmission
22 line meets the criteria of either subsection (1)(o), (1)(p), or (1)(q), as applicable, based on an application provided
23 for in [section 5]. The department of environmental quality shall review the certification 10 years after the line is
24 operational, and if the property no longer meets the requirements of either subsection (1)(o), (1)(p), or (1)(q), the
25 certification must be revoked.

26 (b) If the department of revenue finds that a certification previously granted was based on an application
27 that the applicant knew was false or fraudulent, the property must be placed in class nine under 15-6-141. If the
28 application was fraudulent, the applicant may be liable for additional taxes, penalty, and interest from the time
29 that the certification was in effect.

30 (4)(6) Class fourteen property is taxed at 3% of its market value."

NEW SECTION. **Section 11. Notification to tribal governments.** The secretary of state shall send a copy of [this act] to each tribal government located on the seven Montana reservations and to the Little Shell Chippewa tribe.

NEW SECTION. **Section 12. Codification instruction.** (1) [Sections 2 through 6] are intended to be codified as an integral part of Title 15, and the provisions of Title 15 apply to [sections 2 through 6].

(2) [Section 7] is intended to be codified as an integral part of Title 15, chapter 6, part 1, and the provisions of Title 15, chapter 6, part 1, apply to [section 7].

(3) [Section 8] is intended to be codified as an integral part of Title 15, chapter 6, part 2, and the provisions of Title 15, chapter 6, part 2, apply to [section 8].

NEW SECTION. **Section 13. Severability.** If a part of [this act] is invalid, all valid parts that are severable from the invalid part remain in effect. If a part of [this act] is invalid in one or more of its applications, the part remains in effect in all valid applications that are severable from the invalid applications.

NEW SECTION. **Section 14. Effective date.** [This act] is effective on passage and approval.

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